

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 02-0278322**

**IN THE EAGLEVILLE (EAGLE FORD-2)
FIELD, KARNES COUNTY, TEXAS**

**FINAL ORDER
DENYING THE APPLICATION OF KARNES COUNTY PROPERTIES, LLC FOR
COMMERCIAL DISPOSAL AUTHORITY PURSUANT TO STATEWIDE RULE 9
FOR THE KC SWD LEASE, WELL NO. 1
EAGLEVILLE (EAGLE FORD-2) FIELD
KARNES COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 13, 2012, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby adopts as its own Findings of Fact Nos. 1 through 4, and 6, and Conclusions of Law Nos. 1 and 2, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein. The Commission expressly declines to adopt proposed Findings of Fact No. 5 and proposed Conclusions of Law Nos. 3 and 4. The Commission adopts the following substitute Findings of Fact and Conclusions of Law:

Substitute Findings of Fact:

5. Use of the KC SWD Lease, Well No. 1, as a commercial disposal well is not in the public interest, as Karnes County Properties, LLC did not establish that there is an industry need for the facility in this area at this time.
 - a. Karnes County Properties LLC sole owner, Gary Lavergne, testified he has no experience with disposal wells and did not identify any knowledgeable management team.

- b. There are 30 permitted commercial disposal wells in Karnes County, with a daily permitted capacity of 608,000 bpd. Actual disposal volumes are 28,315 BWPD or 4.7% of capacity.
- c. There are 17 permitted commercial disposal wells within 10 miles of the proposed disposal well, with a daily permitted capacity of 345,500 bpd. Actual disposal volumes are 18,070 bpd or 5.2% of capacity.
- d. There are 6 permitted commercial disposal wells within 5 miles of the proposed disposal well, with a daily capacity of 150,000 bpd. Actual disposal volumes are 8,000 bpd or 5.3% of capacity.
- e. There are, on average, permitted commercial disposal wells every 25 square miles in Karnes County, every 18 square miles within 10 miles of the proposed disposal well and every 13 square miles within 5 miles of the proposed disposal well.
- f. The proposed disposal well is within a few hundred feet of Karnes City's city limit and within the city's extraterritorial jurisdiction.

Substitute Conclusions of Law:

- 3. Karnes County Properties, LLC has not met its burden of proof and its application does not satisfy the requirements of Chapter 27 of the Texas Water Code and the Railroad Commission's Statewide Rule 9. Applicant did not establish that the proposed disposal well is in the public interest.

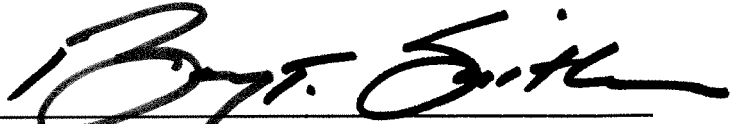
Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Karnes County Properties, LLC for commercial disposal authority pursuant to Statewide Rule 9 for the KC SWD Lease, Well No. 1, Eagleville (Eagle Ford-2) Field, Karnes County, Texas, is hereby **DENIED**.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

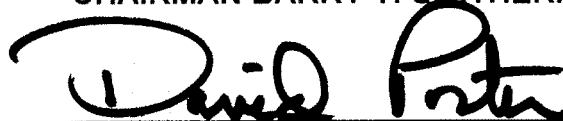
This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Done this 7th day of May, 2013.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN BARRY T. SMITHERMAN

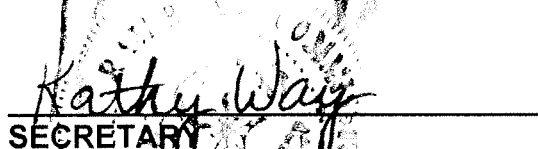


COMMISSIONER DAVID PORTER



COMMISSIONER CHRISTI CRADDICK

ATTEST:


SECRETARY